

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 501 - HB 1396

March 8, 2021

SUMMARY OF BILL: Terminates all Educational Services Plan tuition contracts after December 31, 2021. Requires the Department of Treasury (Treasury) to provide written notice to contract purchasers and beneficiaries at least 60 days prior to November 1, 2021, indicating tuition units may be utilized, refunded, or rolled over to a qualifying program by November 1, 2021.

Authorizes all or a portion of any assets under no obligation within the College Savings Trust Fund Program to be transferred by the Treasurer and used for the administration and marketing of the Educational Investment Plan, with any remaining assets being transferred to the General Fund.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact- The proposed language may result in a shift of funds from the Educational Services Trust Fund (ESTF) to the Education Investment Trust Fund as well as a shift in unobligated assets to the General Fund; however due to multiple unknown variables, the extent and timing of such shift in funding cannot reasonably be determined. The current fund balance of the ESTF is \$9,798,363.

Assumptions:

- Pursuant to Tenn. Code Ann. § 49-7-812, there are two college savings trust funds:
 - The Educational Investment Trust Fund, which consists of contributions from account owners on behalf of beneficiaries for a particular educational investment trust account. This fund is known as the TNStars 529 College Savings program (TNStars).
 - The Educational Services Trust Fund, which provided participants the ability to purchase tuition units on behalf of a beneficiary at the price for the year in which the tuition unit was purchased. This fund is known as the Baccalaureate Education System Trust (BEST) Pre-paid Plan.
- Based on information found on Treasury's website, the BEST Pre-paid Plan was terminated on November 30, 2015.
- Pursuant to Tenn. Code. Ann. § 49-7-824, tuition contracts entered into prior to November 30, 2015, under the BEST Pre-paid Plan, remain effective if at the time of the Plan's termination, the beneficiary was accepted or enrolled in an institution of higher

education, or was projected to graduate from high school no later than the third anniversary of the Plan's termination date, or November 30, 2018.

- The proposed legislation will terminate any tuition contracts still effective entirely and allow for beneficiaries to utilize any or all of their tuition credits, request a refund, or roll over their assets to another 529 College Savings Program, such as TNStars.
- Any purchaser who does not respond with their preferred use of funds within their tuition contract by November 1, 2021 will receive a refund.
- According to Treasury, the current fund balance of the BEST Pre-paid Program is \$9,798,363, with 175 remaining participants.
- The precise number of refunds or roll overs which will occur under the proposed legislation cannot be determined due to multiple unknown factors, such as the extent of funds within each tuition contract and the option that each individual beneficiary or purchaser will choose regarding such funds.
- The precise amount the Treasurer will transfer for the use of administering and marketing the Educational Investment Plan or the remaining amount to be transferred to the General Fund cannot be determined at this time as any remaining assets will be contingent upon the precise number of refunds and rollovers.
- According to the Treasury, sending such written notices, providing refunds, or assisting in rolling over plans are all duties that can be accomplished within existing resources without a significant fiscal impact to state expenditures.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Bojan Savic, Interim Executive Director

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